

Top Secret 217

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Tuesday July 5, 1977

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National Intelligence Daily Cable for Tuesday, July 5, 1977

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The NID Cable is for the purpose of informing senior US officials.

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BELIZE: Premier Price

//Belizean Premier George Price will be in Washington on July 6-8 to observe the negotiations between Guatemala and the UK over Guatemalan claims to the British colony. Price is probably eager for the US to become actively involved in the controversy.//

//The 58-year-old Price has headed the majority People's United Party since 1956 and has been Premier since the thinly populated colony--only 145,000 persons--was granted internal self-government in 1964. Since then, his goal of an independent Belize has been frustrated by Guatemala's century-old territorial claim.//

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[REDACTED] //Price's lengthy stewardship has been under increasing domestic criticism in recent years. Although his current term runs until 1979, his party's majority was reduced in nationwide elections in 1974, and the party has subsequently lost several municipal elections. Inflation, inadequate public services, corruption, and unsuccessful agricultural policies have diminished Price's popularity.//

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[REDACTED] //The Premier's attitude toward the US has varied with his perceptions of US policy toward his country. Because Price's dream of independence is conditioned on securing suitable international backing, he has at times been unhappy that the US has not agreed to be a party to a defense guarantee for Belize. Price has called for the US to enter the discussions as a mediator. He has also attempted to internationalize the dispute with notable recent success. The UN General Assembly has overwhelmingly passed two resolutions backing Belizean self-determination and territorial integrity.//

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[REDACTED] //Ironically, the UN resolutions may complicate settlement of the Guatemalan claim. The support for territorial integrity bolsters Price's reluctance to cede any land, but the Guatemalans will undoubtedly continue to demand at least a slice of territory to salvage their national pride.//

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[REDACTED] //The Belizean leader publicly denied late last year that he was planning to trade a territorial cession for independence. His waning popularity and consequently increased political vulnerability, combined with recent explorations for oil in the part of Belize that Guatemala might accept if it cannot get the whole territory, have undoubtedly hardened his stand on the territorial issue.//

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DEVELOPED COUNTRIES: Textile Imports

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Developed countries are becoming increasingly concerned about the loss of jobs caused by a rise in clothing imports. Many are blaming at least part of the penetration of local markets on the Multifiber Agreement, which will expire at the end of this year. Even when a new agreement is worked out, the pressure of increased production from developing countries will persist.

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The Multifiber Agreement establishes guidelines for bilateral textile and clothing trade arrangements. It was negotiated in 1973 under conditions of rapid economic growth and low unemployment in the major countries, and it was intended to foster controlled expansion of textile exports from the developing countries.

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Most developed countries did not see the potential for rapid growth in textile and clothing imports and failed to negotiate bilateral agreements sufficient to cover the broad and shifting range of products produced by the developing countries. Since 1973, clothing has led the surge of imports into the developed countries, where clothing sales have jumped 17 percent and textile sales have grown 7 percent annually.

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At the same time, employment in the textile and clothing industries of developed countries has been falling; in the US, Japan, Canada, and the EC, it has dropped at an average annual rate of 4 percent. Declining employment poses serious political problems for many developed countries--particularly Canada and the EC members. Textile and clothing employment accounts for 5 to 9 percent of total industrial employment in these countries. Many clothing workers are relatively unskilled and are not in demand in other industries. In many countries, textile and clothing firms are located in areas that already have high unemployment. In Canada, the industry is centered in Quebec, where unemployment is a particularly sensitive political issue.

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Exports of textiles and clothing from developing countries have jumped 160 percent over the last four years, reaching an estimated \$14 billion last year.

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[] In large part, the export surge reflects an overwhelming advantage in labor costs over the developed countries. According to a Japanese study, garment workers in South Korea earn only about one sixth as much as their counterparts in Japan--long the example of a low-wage country.

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[] The East Asian exporters--Hong Kong, Taiwan, and South Korea--have the greatest advantage; they account for 60 percent of developing country foreign sales of clothing and textiles and more than half the increase in sales since 1972. The US buys nearly one third of all of East Asia's textile and clothing exports. Most of the remainder is shipped to the EC, Canada, and Japan.

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[] The only strong support for renewal of the Multifiber Agreement has come from the US, Japan, and the major textile-exporting developing countries. Japan, because of its own position as a textile and clothing exporter and its close economic ties with East Asian producers, is committed to avoiding protectionist measures. It has resigned itself to the movement of Japanese textile and clothing production to lower wage areas.

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[] Developing country exporters have been trying to organize a united front at the negotiations. So far, only the East Asian countries are united. On the more radical side, Pakistan wants to use the discussions as a platform to push for broader developing country preferences. At a meeting in Hong Kong in May to develop their stance, smaller producers pushed for global quotas that would guarantee their market shares. Some producers in Africa and Latin America fear that the East Asian export drive could induce importers to adopt tighter controls.

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[] Canada and the EC object strongly to the present system and are unlikely to approve any plan that does not provide greater latitude in imposing restrictions. Canada has virtually ignored the Multifiber Agreement by imposing global import quotas. The strong objections of France and the UK delayed agreement on an EC negotiating mandate until last week.

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[] Even under a revised agreement, the developed countries would continue to feel pressure from increased developing country exports. The East Asian countries are expanding

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their production capacity and will find ways of marketing their increased output despite any future bilateral agreements.

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FINLAND: New Economic Program

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[redacted] //Finnish Prime Minister Sorsa's new five-year economic program reflects the broad political drift to the right that has been taking place in Finland. In recent months, trade union elections have favored the Social Democrats at the expense of the Communists, and the Conservative Party has increased its showing at the expense of center parties.//

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[redacted] //The economic program of the new Socialist-led, five-party coalition--which includes the Communist Party--calls for an increase in employment by improving the profitability

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and the international competitiveness of Finnish private industry. Communist endorsement of the program did not come easily. The Communists' proposals for stimulating economic growth and job opportunities through additional public spending were largely ignored, although a few of their recommendations were included as minor elements in the program.//

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[] The hard-line minority faction of the Communist Party, which is not represented in the government, has criticized the program as too business-oriented and neglecting workers' interests. The majority Communist group, on the other hand, describes the program as the best possible compromise given the current conservative trend in Finland.

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[] The economic program initially calls for aid to business. It provides for a temporary reduction in employer contributions for health insurance, child allowances, and pensions and a sales tax exemption for plant construction. Special business loans would be extended for six months. The plan also provides for an increase in government child allowances and an extension of the special youth unemployment program.

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[] The government foresees only moderate increases in public spending and foreign borrowing over the next five years. Federal spending is projected to grow by 2 percent annually, compared with an average annual rise of about 23 percent in the previous half decade. Over the next five years, the government hopes to limit foreign borrowing to \$250 million, down from nearly \$400 million during the most recent five-year period. It also hopes to hold the current-account deficit below 2 percent of gross national product, compared with 4 percent in 1976.

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[] The government believes that its program of stimulating private investment--while keeping the lid on public spending--will stimulate jobs and reduce inflation substantially by 1982. The plan calls for a reduction in unemployment from a record 6 percent this past spring to 2.5 percent by 1982 and for a seven-percentage-point cut in the inflation rate to 5 percent over the same period.

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[] //Economic growth probably will remain below the historical average of 5 percent annually for some time. The economy is highly dependent on exports, which have not grown rapidly because of the sluggish increase in world demand.// []

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MIDDLE EAST: Peace Conference

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[] Israeli Prime Minister Begin, according to Jerusalem radio, yesterday told Senator Javits that Israel is prepared for a reconvening of the Middle East peace conference in Geneva on October 10. Begin said that Israel is prepared to negotiate every subject at Geneva with each of the Arab states without preconditions.

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[] Egyptian President Sadat, who had been attending the summit meeting of the Organization of African Unity in Gabon, said that he welcomed Begin's remarks and that Egypt "will be ready on and even before" October 10.

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[] Neither Begin nor Sadat referred to the issue of Palestinian participation in a resumed peace conference or to any of the other parties involved except the US. Both professed to be looking forward to an exchange of views with US leaders during the coming month. []

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